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TO RUEHC/SECSTATE WASHDC PRIORITY 9131  
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RUEHBR/AMEMBASSY BRASILIA 6988  
RUEHBU/AMEMBASSY BUENOS AIRES 4232  
RUEHCV/AMEMBASSY CARACAS 1525  
RUEHPE/AMEMBASSY LIMA 1502  
RUEHLO/AMEMBASSY LONDON 0080  
RUEHMD/AMEMBASSY MADRID 3105  
RUEHMN/AMEMBASSY MONTEVIDEO 3771  
RUEHFR/AMEMBASSY PARIS 0085  
RUEHQT/AMEMBASSY QUITO 4165  
RUEHSG/AMEMBASSY SANTIAGO 8711  
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RHEBAAA/DEPT OF ENERGY WASHINGTON DC  
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SUBJECT: GOB NAMES BOARD MEMBERS TO "NATIONALIZED"  
HYDROCARBONS COMPANIES

REF: LA PAZ 1157

11. (SBU) Summary: The GOB named 20 directors and five controllers to the boards of five hydrocarbons companies on May 8. The GOB has yet to legally acquire ownership control of these five companies, in accord with its May 1 nationalization decree (reftel), and it remains unclear how it plans to do so. Hydrocarbons Minister Andres Soliz Rada and YPFB (state oil company) President Jorge Alvarado acknowledged that the GOB must complete several legal requirements to take over company control, but claimed that the companies are all in agreement with the GOB's plans. Company representatives, including Transredes President Ernesto Blanco, told us that the companies do not agree, and consider the GOB's actions an expropriation of their assets. End summary.

12. (U) According to press reports, on May 8, the GOB named four YPFB directors and one controller to each of the five hydrocarbons company boards over which the GOB intends to gain majority control, in accord with the terms of the May 1 hydrocarbons nationalization decree (reftel). The five companies include two with U.S. investment -- Transredes (Prisma) and Chaco (Pan-American). Press reports indicate that Hydrocarbons Minister Andres Soliz Rada and YPFB President Jorge Alvarado admitted that the GOB can not yet take control of the five companies, because several legal steps remain to be taken, including finding a mechanism through which to convene the boards. Each of the boards will consist of four YPFB representatives and three private company representatives. Transredes President Ernesto Blanco told us on May 8 that Alvarado asked him to call a board meeting by May 18, but Blanco told us that he has no basis upon which to call the meeting.

13. (SBU) The GOB will need to acquire two percent plus one

share to gain control of Repsol Andina and Chaco, 16 percent plus one share for Transredes, and 50 percent plus one share for the Petrobras Refineries and the Hydrocarbons Logistics Company. It remains unclear how the GOB plans to acquire these shares and how or if the GOB will pay for them. Minister Soliz Rada stated that some share prices will be fixed through quotation in the Bolivian stock market and that some companies have accepted payment by future gas and oil production, according to press reports. Soliz further stated that the companies are in agreement with the GOB plans, and only the details of the procedures remain to be resolved. Blanco told us that the GOB has made no offer of payment for Transredes shares, but has made comments about taking the 16 percent plus one share from Transredes investors Prisma and Shell, and working out payment later, and that Minister Soliz lied about the companies being in agreement with the GOB's plans. The GOB has not discussed the new board members with Blanco. The Transredes board currently has seven members, with two seats held by the pension fund administrators.

14. (SBU) Blanco said that Transredes considers the reported GOB actions to be an expropriation of its assets. He explained that the nationalization decree has diminished Transredes' cash flow by torpedoing a bond restructuring deal and negotiations for additional credit from the Inter-American Development Bank. Blanco explained that the pension fund administrators, which hold 34 percent of Transredes' shares, can not legally sign the shares over to YPFB (as required by the May 1 decree) without the GOB passing a law. However, he said, the administrators are under serious GOB pressure and may disregard proper procedures. He added that he has no faith in domestic legal procedures, which even the Minister of Government recently

admitted were not followed, and that if Transredes decides to pursue legal measures, it will do so in an international court.

15. (SBU) Comment: Although contract details remain to be worked out during the next six months, the GOB's naming of board members for five companies, without having legally acquired the shares of those companies, is an aggressive move. The GOB's nationalization actions are looking increasingly like they may involve expropriation of U.S. investor assets. End comment.

GREENLEE